

GOVERNOR'S TASK FORCE
ON THE
MAINE GROUND FISH INDUSTRY

JUNE 2004

TABLE OF CONTENTS

GOVERNOR’S EXECUTIVE ORDER	4
LIST OF MEMBERS	7
INTRODUCTION	8
EXECUTIVE SUMMARY	9
FINDINGS	11
RECOMMENDATIONS	13
Section I INDUSTRY BACKGROUND	
Section I.1 Commercial Fleet	17
Section I.2 Recreational Fleet	18
Section I.3 Shoreside Infrastructure	18
Section I.4 Summary of Regulatory History	19
Section II AMENDMENT 13	
Section II.1 Amendment 13 Summary	19
Section II.2 Amendment 13 Impacts on Harvesters	20
Section II.3 Effects of Amendment 13 on Shoreside Businesses	21
Section III FUTURE OF INDUSTRY	
Section III.1. Commercial Fleet	21
Section III.2. Recreational Fleet	21
Section III.3 Department of Marine Resources	22
Section III.4 Portland Fish Exchange	22
Section IV ACCESS TO FISH STOCKS	
Section IV.1. Loss of Access under Amendment 13	23
Section IV.2 Permit Transfer and Leasing	24
Section IV.3 Restoring Access: Community DAS Program	24
Section IV.4 Loss Of Access To Other Fisheries Over The Past 20 Years	25
Section IV.5 Loss of Recreational/Personal Use Access	25
Section V INCREASING COST COMPETITIVENESS	
Section V.1 Non-Trap Caught Lobsters	25
Section V.2 Sales Tax Exemption for Ice and Fuel	26
Section V.3 Health Care	26
Section V.4 Unemployment Compensation	27
Section V.5 Berthing Costs	27
Section V.6 Steaming Time	27

Section VI SHORESIDE

Section VI.1 Seafood Processing -----	27
Section VI.2 Working Waterfront -----	28
Section VI.3 Changes in the Marketplace Over Time -----	29

Section VII INDUSTRY ADVOCACY

Section VII.1 Industry Coalition -----	30
Section VII.2 Training for Fisheries Management Representatives -----	31

Section VIII ADDITIONAL ISSUES

Section VIII.1 Vessel Insurance -----	31
Section VIII.2 Public and Private Investment -----	31

Section IX Written Submissions to the Task Force -----	32
---	----

Appendix 1 Number of vessels and groundfish landings since 1976

Appendix 2 Timeline with regulations and inventory 1976 – 2004

Appendix 3 Regulatory History of the Northeast Multispecies (Groundfish) Fishery

Appendix 4 Amendment 13 Economic Analysis – Maine section

Appendix 5 Future of the Portland Fish Exchange *by Sue Inches*

Appendix 6 City of Portland Mayor’s Task Force Report

Appendix 7 Steaming Time:

1. Minutes of the April 2, 2004 meeting on steaming time between DMR and industry
2. Federal analysis of the steaming time issue from Amendment 13

Appendix 8 Written submissions to the Task Force:

1. Three Letters from fisherman Glen Libby regarding gear conflicts
2. Letter from John Williamson regarding fishery management measures
3. Recommendations from Independent Fishermen Investing in Sustainable Harvesting (IFISH)
4. Letter from the Associated Fisheries of Maine (AFM) Groundfish Group
5. Letter from the Northwest Atlantic Marine Alliance (NAMA)

OFFICE OF
THE GOVERNOR

NO. 03 FY 04/05
DATE August 22, 2003

**AN ORDER CREATING THE TASK FORCE ON THE MAINE
GROUNDFISH INDUSTRY**

WHEREAS, the groundfish industry of the State of Maine is a vital component of the economy of the State and our coastal communities and heritage; and

WHEREAS, Maine relies on healthy groundfish stocks for recreational and commercial use; and

WHEREAS, the long-term health of the groundfish resource is critical to sustaining the State's working waterfronts; and

WHEREAS, Maine has experienced a fifty-one percent decline in its groundfish fleet since 1994, and the industry has experienced additional stresses, including those caused by the pending implementation of the updated Northeast Multispecies Management Plan known as Amendment 13; and

WHEREAS, current trends in groundfish biomass are signaling hope that groundfish stocks can be significantly rebuilt; and

WHEREAS, Maine must plan ahead for the effects of Amendment 13 and for a future day when groundfish stocks have returned to abundance;

NOW, THEREFORE, I, John E. Baldacci, Governor of Maine, do hereby establish the TASK FORCE ON THE MAINE GROUNDFISH INDUSTRY (hereinafter "Task Force").

Mission

The mission of the Task Force is to formulate recommendations about how best to rebuild groundfish stocks, and preserve and enhance Maine's groundfishing industry in the face of significant challenges and changes. To that end, the Task Force shall:

1. Weigh the short-term impacts of Amendment 13 and devise strategies that will preserve Maine's existing fleet and infrastructure;
2. Develop recommendations for a long-term plan to position Maine's fleet for future prosperity;
3. Contemplate the future composition of the fleet, and determine how the historic diversity, character, and existing geographical opportunities may be maintained;
4. Evaluate the future role of the Portland Fish Exchange, and ascertain how the benefits of the Exchange to the industry may be maintained;
5. Consider the future role of the Department of Marine Resources, including determining what new services, research, surveys, and stock assessments should be provided, and how those services should be funded;
6. Assess the future role of the State, including contemplating ways the State can further support the harvesting, processing, and distribution of groundfish;
7. Consider the future role of an industry coalition, and determine what might be accomplished by the industry if it works together across sectors;
8. Provide preliminary recommendations to the Department of Marine Resources for consideration at the Governor's Natural Resource-based Industries Summit; and
9. Submit recommendations to the Governor regarding strategies to rebuild, preserve, and enhance the long-term sustainability of the Maine groundfish industry.

Organization of the Task Force

The Task Force shall be composed of twelve (12) members, who will be appointed by, and serve at the pleasure of, the Governor. Those members appointed by the Governor will be broadly representative of the groundfish industry and will include fishermen, processors, managers, attorneys, and business people. In addition, the President of the Maine Senate and the Speaker of the Maine House of Representatives each may appoint one (1) member to the Task Force, who both will serve at the pleasure of their respective appointers.

The Commissioner of the Department of Marine Resources, or his designee, also shall be a member of the Task Force.

The Governor will designate a member to serve as Chair of the Task Force, who will preside at, set the agenda for, and schedule Task Force meetings.

Deadline for Recommendations

The Task Force shall submit its recommendations, along with any legislation needed to implement the recommendations, to the Governor on or before February 1, 2004. The Task Force, and the authority of this Executive Order, will dissolve on July 1, 2004.

Meetings

The Task Force shall meet as often as necessary to complete its assigned tasks. All meetings shall be open to the public and held in locations determined by the Task Force.

Prior to submitting its recommendations to the Governor, the Task Force shall hold a public hearing to entertain comments on the draft recommendations.

Staffing/Funding

The Department of Marine Resources shall provide staff support to the Task Force, drawing on existing resources. The Department may utilize its existing authority to accept contributions and donations of money, services, and supplies to support the work of the Task Force.

Effective Date

The effective date of this Executive Order is August 22, 2003.

John E. Baldacci, Governor

GOVERNOR'S TASK FORCE ON THE GROUND FISH INDUSTRY

LIST OF MEMBERS

1. Jill Goldthwait, Chairman
Maine State Senator, 1994-2002
2. Robin Alden
Commissioner, Department of Marine Resources, 1995-1997
3. Vincent Balzano
Fisherman, Portland
4. Edward Bradley
Marine lawyer
5. Alan Caron
President, Caron Communications
6. Randy Cushman
Fisherman, Port Clyde
7. Terry Harriman
Seafood Manager, Hannaford Bros.
8. Richard Klingaman
President and owner, Stinson Seafood Co., 1990 - 2000
9. John Norton
President, Cozy Harbor Seafood
10. David Pecci
Owner/Operator Obsession Charters
11. Hank Soule
Executive Director, Portland Fish Exchange
12. Elizabeth Sheehan
Coastal Enterprises Inc.
13. Robert Tetrault
Fisherman and business owner, Portland
14. Dennis Damon
State Senator, Senate Chair of the Joint Standing Committee on Marine Resources
15. Leila Percy
State Representative, Member of the Joint Standing Committee on Marine Resources
16. George Lapointe
Commissioner, Department of Marine Resources

DEPARTMENT OF MARINE RESOURCES STAFF

1. Lewis Flagg
Deputy Commissioner for External Affairs
2. Susan Inches
Director of Industry Development
3. Cindy Smith
Resource Management Coordinator

INTRODUCTION

In February 1999 the New England Council embarked on the development of Amendment 13 to the groundfish management plan. As the plan progressed under the added pressure of litigation by environmental groups it became evident that the impact of new regulations could be devastating to what remains of Maine's groundfish fleet and shore-based infrastructure.

Recognizing this impending crisis, the groundfish industry appealed to the Governor for assistance. In response Governor Baldacci issued an Executive Order creating the Task Force on the Maine Groundfish industry. The Task Force consists of sixteen members from a diverse field of interests including commercial and recreational fishermen, processors and retailers. The Task Force met from November 2003 to June 2004, often joined by other industry members whose comments were welcomed at the meetings. A public hearing was held at the Maine Fishermen's Forum in March of 2004.

This report contains the response of the Task Force to the nine specific charges in the Governor's Executive Order, including recommendations on how the industry may be assisted to survive the current crisis and expand in the future to capitalize on groundfish stocks that are already on the way to recovery. The groundfish resources of New England offer a significant economic opportunity for Maine coastal fishing communities. It is a fishery that has been very much a part of the culture and tradition of Maine since the earliest coastal settlements.

EXECUTIVE SUMMARY

Maine and its fishing communities are facing one of the greatest threats in their three hundred year history. During the last two decades Maine's annual groundfish harvest has dropped from 80 million pounds to less than 20 million pounds today. Dozens of fishing vessels and seafood processors have gone out of business, and the relatively few that remain are the bare minimum required to maintain a viable stake in the industry. Now, new federal fishery regulations, which are intended to accelerate the restoration of fish stocks poses an immediate threat to the survival of Maine's groundfish fleet and the hundreds of businesses up and down the Maine coast that support it. Under these new regulations, known as Amendment 13, the government estimates over 300 jobs will be lost, and Maine's place as the second largest New England groundfish landings state is in jeopardy.

There are brighter days on the horizon if Maine's fishing fleet can survive to benefit from them. Federal regulators estimate that groundfish catches will triple over the next few decades, increasing in value from \$100 million to over \$300 million and creating hundreds or thousands of new jobs in Maine's working waterfront.

The challenge Maine faces is how to protect and strengthen our groundfish industry so that it can weather the next few years and survive to reap the benefit of those increasing populations of fish. Maine now must choose its path. We can choose to stand by and hope, or we can take action now to ensure that groundfishing remains as important in our future as it has been in our past. Fishing will be a growth industry over the next 20 years. The question is will it grow in Maine or somewhere else?

Recognizing the impending crisis posed by Amendment 13 and the opportunities that are ahead, Governor John Baldacci created a Groundfish Task Force to identify threats to the survival of the industry and ways to overcome those threats. The task force represented a diverse field of recreational and commercial fishermen, seafood processors and retailers, state officials, and elected representatives. The task force identified two goals:

- 1) Preserve the remaining elements of the commercial and recreational fisheries, consisting of both fishermen and shoreside infrastructure.
- 2) Position the industry to be prepared to take advantage of the future abundance of fish populations.

The Task Force recommends a series of steps that the State can take to preserve the fishery including:

- Acquire fishing rights and permits that will allow Maine fishermen to stay in business until stocks increase. Over the last several years, many of our small, coastal fishermen have lost their harvesting permits. The loss has been particularly acute in fishing communities east of Rockland. Acquiring fishing rights will ensure Maine retains a diverse, geographically decentralized fleet where the economic benefits of increasing harvests are distributed spread along the entire coast.

- Eliminate disadvantages for vessels working from Maine ports. A combination of state and federal policies makes Massachusetts a more attractive port of call for groundfishing vessels. Most of these disadvantages can be reduced or eliminated.
- Seek immediate federal disaster assistance to allow critical infrastructure to survive.

Over the longer term, we need to redevelop our fishing capacity to take advantage of tomorrow's increasing stocks. Specifically, Maine should:

- Send to the voters a Maine Fisheries Bond Issue in excess of \$10 million dollars that will help to develop infrastructure, reduce loan rates, create a revolving loan fund, improve management and marketing, and promote research and product development in Maine's fishing industry. That Bond will give the people of Maine an opportunity to support our fishing heritage while creating jobs and positioning Maine to lead in the sustainable use of New England's recreational and commercial fishery resources.
- Support additional and continuous long-term funding for research and monitoring of groundfish stocks by the State. This data is needed to support management of sustainable commercial and recreation fisheries.
- Actively support the creation of an industry coalition of broad-based fishing interests (including representation from a groundfish advisory council) to educate and promote fishing interests to both the public and the state legislature. Members could be drawn from both harvesting and shoreside businesses from the many fisheries conducted from Maine ports.

MAINE'S GROUNDFISH INDUSTRY TOMORROW

Maine's groundfishery is one of few natural resource-based industries that offers real growth potential. The task force believes the groundfish resources of New England offer a significant opportunity for economic development within Maine's coastal fishing communities. Since the earliest settlements along the coast, fishing has been a primary part of the culture and tradition of our state. Immediate steps are required to avert the crisis posed by Amendment 13. But crisis can be averted and Maine can be positioned to secure a leading role in the New England groundfishery.

The task force envisions a Maine groundfish fleet comprised of vessels sailing from and returning to ports from Kittery to Eastport. It envisions community shoreside infrastructure – fleet suppliers, seafood processors, and service organizations – which are locally self-sustaining. It envisions populations of fish abundant enough to revitalize Maine's recreational groundfishery for the use and enjoyment of citizens and tourists alike. It envisions an industry that accounts for thousands of jobs in Maine's coastal economy, fueled by the private sector and supported by state policies, which are fishing-friendly and attuned to the long-term, sustainable growth and use of the groundfish resource.

FINDINGS

The Groundfish Task Force makes the following findings:

1. Amendment 13 (AM 13) is a set of federal measures designed to restore stocks. However, the pace of rebuilding those stocks threatens to decimate the Maine commercial fishing industry before the rebuilding targets are achieved. AM 13's reductions in fishing opportunity will cause some businesses to operate below break-even. Shoreside businesses are especially vulnerable to failure because they cannot relocate and they rely on vessels working from Maine ports.
2. Groundfish stocks are predicted to triple under Amendment 13. This will create a \$300-\$400 million opportunity for the New England groundfish fleet. Maine must preserve its existing business infrastructure and prepare for the opportunity provided by stock rebuilding.
3. The groundfish industry has been shrinking for more than a decade. Stocks are rebuilding but additional regulatory restrictions will further reduce the size and diversity of Maine's industry.
4. Low abundance of stocks in some nearshore areas, and federal regulations have resulted in a loss of fishing opportunity for many small-scale and seasonal commercial groundfishermen in Maine.
5. Loss of fish nearshore has eliminated most of the recreational and personal use fisheries for groundfish.
6. Recovery of groundfish stocks is essential to both the recreational and commercial fishery. The recreational fishery would benefit from the fastest recovery possible. For the commercial fishery, a more measured pace of recovery will allow more fishing businesses to survive.
7. Federal scientists have documented that nearly all populations of fish are rebuilding. The additional reductions in harvesting effort implemented in AM 13 may not be essential to population recovery, but are needed only for recovery to occur within the ten-year time frame required by the law.
8. AM 13 regulations and fishing-friendly Massachusetts state policies give Massachusetts fishermen a competitive advantage. Boats are leaving Maine to fish from and land their catch in Massachusetts on a regular basis. The Maine industry cannot compete against states that aggressively support their fishing industry.
9. Severe effort restrictions combined with fleet relocation have already caused significant losses for Maine's groundfish support businesses on shore.

10. The Department of Marine Resources (DMR) is so under-funded that its role has become almost entirely regulatory. It is not able to effectively carry out its fisheries development and management responsibilities.
11. The failure of industry to develop a united groundfish coalition has limited the opportunities for groundfishermen to have an effective voice at the state and federal level.

RECOMMENDATIONS

ACCESS and ENTRY

CURRENT CRISIS

1. The Groundfish Task Force recommends that the State immediately seek \$5 million in federal emergency relief funds for a Groundfish Industry Relief Fund (GIRF). The Groundfish Task Force recommends that \$2 million of the GIRF be utilized to establish a pilot program through the Portland Fish Exchange (PFE) to acquire and issue Days-At-Sea (DAS) to ME vessels that will sell their catch through the PFE.
2. The Groundfish Task Force recommends that the DMR establish a program to acquire fishing DAS for lease to ME vessels. The goal of the program is to restore the number of active DAS held by ME vessels to at least the level held in January 2001. The Groundfish Task Force recommends that vessels acquiring DAS from the State be required to land their catch in ME.
3. The Groundfish Task Force recommends that \$1 million from the GIRF be used to help communities east of Rockland secure groundfishing opportunities.
4. The Groundfish Task Force recommends that the State make funds available from the GIRF for shoreside businesses endangered by the implementation of AM 13.

FUTURE OPPORTUNITY

5. The Groundfish Task Force recommends that the State acquire inactive (latent) permits that will be available for use in the future as stocks rebuild.
6. The Groundfish Task Force recommends that the DMR assist Maine fishermen holding C DAS to register their permits in the Confirmation of Permit History (CPH) program to preserve their potential to fish in the future. The DMR should work with NMFS and the Council to assure that permits in CPH will be re-activated as stocks recover.

INCREASING COST COMPETITIVENESS WITH OTHER STATES

Lobster Landings

7. The Groundfish Task Force recommends that Maine groundfish fishermen who forego landing non-trap caught lobster be compensated with additional DAS or some other mechanism to help offset the revenue lost by discarding lobsters bycatch.

Sales Tax Exemption

8. The Groundfish Task Force recommends a sales tax exemption on diesel fuel for all federally permitted, active groundfish vessels.
9. The Groundfish Task Force recommends that ice for use by fish processors be exempt from sales tax.

Steaming Time

10. The Groundfish Task Force recommends that the DMR continue to facilitate industry efforts to develop a position on steaming time for presentation to the New England Fishery Management Council and NMFS.

Health Care

11. The Groundfish Task Force recommends that the Dirigo Health Plan accommodate the needs of the harvesting and shoreside sectors of the groundfish industry with benefits that are at least comparable to those available through the MA Fishermen's Health Plan.
12. The Groundfish Task Force recommends that information on the Dirigo Health Plan including cost, availability and application process be sent to all Maine commercial fishermen in routine DMR communications.

Unemployment Compensation

13. The Groundfish Task Force recommends a reinstatement of the provisions in the Maine Unemployment Compensation Program that allow fishing businesses, on a voluntary basis, to enroll crew members who are paid on a 'share' or 'lay' basis.
14. The Groundfish Task Force recommends that unemployment regulations be amended to accommodate daily variation in work opportunity (e.g. sporadic shut downs at processing plants due to lack of product) for processing and shoreside, fishing-related employees.

SHORESIDE INFRASTRUCTURE

15. The Groundfish Task Force recommends that state tax incentives be created to encourage private investment in seafood processing, fisheries-dependent shoreside businesses and fishing vessels.
16. The Groundfish Task Force recommends that the State provide legal and business planning assistance to fishing businesses and communities interested in acquiring additional DAS or permits.

Working Waterfront

17. The Groundfish Task Force recommends the development of a groundfish port strategy that will secure the position of the groundfishing industry on Maine's waterfront.
18. The Groundfish Task Force recommends that the State support a constitutional amendment proposing current use taxation for working waterfront property.

Seafood Processing and Marketing

19. The Groundfish Task Force recommends the State develop post secondary education and training programs for current and future workers in the seafood industry.
20. The Groundfish Task Force recommends the industry work with the legislature to obtain funding for the development of a marketing program for Maine seafood and value-added products to increase demand and stabilize prices for the product.

INDUSTRY COALITION

21. The Groundfish Task Force recommends that the State convene a wide array of fishing industry interests and actively support those interests in the creation of a permanent coalition to advance unified positions on matters important to the industry.
22. The Groundfish Task Force recommends that the DMR create a Groundfish Advisory Council to advise it on groundfish management and development issues for the commercial and recreational fisheries.
23. The Groundfish Task Force recommends that the State continue to support the Working Waterfront Coalition as a forum to represent a wide range of waterfront interests.
24. The Groundfish Task Force recommends that Maine representatives to state and federal fishery management boards, commissions and councils undergo an orientation process and be supported with timely and thorough briefings, consultation and coordination with DMR and industry.

STATE BOND

25. The Groundfish Task Force recommends that the Governor propose a Fisheries Protection Bond that would fund the acquisition of fishing permits and DAS for lease to Maine fishermen to preserve groundfishing opportunities. Bond funds could also cover urgent expenditures necessary to secure development rights, create a revolving loan fund, maintain and develop public shoreside facilities and promote research, product development and marketing.

OTHER ISSUES

Sustainable Fisheries Act

26. The Groundfish Task Force recommends that the Sustainable Fisheries Act (SFA) be amended to balance the health of the resource and the economic viability of the commercial and recreational sectors of the fishing industry and coastal communities.

Vessel Insurance

27. The Groundfish Task Force recommends the State Board of Insurance report to the Joint Standing Committee on Marine Resources on the cost and accessibility on vessel insurance and the fishing restrictions in current policies.

FUTURE ROLE OF THE DMR

28. The Groundfish Task Force recommends that the State increase its capacity to conduct research and monitor both commercial and recreational groundfishing and gather habitat data.
29. The Groundfish Task Force recommends that the State expand its ability to analyze fisheries management proposals to determine the impacts on the Maine industry.
30. The Groundfish Task Force recommends that the State focus on developing convenient, real-time data collection techniques with the ability to process data for fast turnaround and use in the management process.

31. The Groundfish Task Force recommends that the state fund the DMR at a level that allows it to fulfill its fisheries management and development mission.

Section I INDUSTRY BACKGROUND

I.1 Commercial Fleet

Maine's commercial fishing industry has expanded and contracted since 1976, as has the rest of New England's, but has now reached an historic low and is on the brink of collapse. The existing Maine fleet consists of about 150 vessels that still pursue groundfish, predominantly out of Portland, and a small boat fleet, mostly located downeast, that is excluded from the fishery by regulatory changes and lack of nearshore groundfish.

Prior to the adoption of the Magnuson Fishery Conservation and Management Act (MFCMA) in 1976, the state's small boat fleet declined due to stock depletion caused by foreign fishing. Documentation of the number of vessels participating historically is virtually impossible because no records were maintained.

After passage of the MFCMA, the American fleet doubled due to expulsion of foreign fishing boats and governmental programs that encouraged investment in the industry. Maine's fleet and landings peaked in the early 1980's with over 300 vessels landing about 80 million pounds and then began a steady decline to a low of 160 vessels landing about 15 million pounds in 1999. By 2002, landings in Maine had increased only slightly to 20 million pounds. Vessels impacted in the mid-1980s by the cancellation of reciprocal fishing agreements with Canada and the delineation of The Hague Line focused their fishing efforts in the Gulf of Maine, which in turn led to stock declines in the early 1990s. Appendix 1 shows the increase in the number of fishing vessels and the decrease in landings over time.

Federal litigation initiated by the Conservation Law Foundation (CLF) in 1991 generated a decade of increasingly restrictive regulations on the groundfish fleet that have severely restricted fishing effort while trying to allow stocks to rebuild. About 50 Maine vessels left the fishery during the 1990s.

In response to the litigation and declining stocks, the New England Fishery Management Council (NEFMC) and National Marine Fisheries Service (NMFS) implemented severe restrictions in fishing effort starting in the mid-1990s. These regulatory restrictions led to a contraction of the industry to Portland and the disappearance of the groundfish industry elsewhere throughout the state. Fishermen report a lack of reliable, professional, trained crew. Fisheries once conducted in ports including Eastport, Jonesport, Bar Harbor, Stonington, Vinalhaven, Boothbay, Kennebunk and York have all but disappeared. Some vessels remain in other ports in the western half of the coast but almost all supporting services are gone. The remaining fishery is conducted by local families who continue to fish from home despite increasing economic pressure to leave the fishery altogether. Almost without exception, these harvesters must truck their product to Portland for sale and distribution because their homeports no longer provide processing or other support services locally.

Groundfish are an extremely important part of the mix of fish that can support a Maine fishing industry. It is a recent phenomenon (since the 1960's) that fishermen have become specialized as lobstermen or groundfishermen. Prior to the stock depletions caused by the foreign fleets in the 1960's and the subsequent licensing by the federal government in the rebuilding since then, the majority of fishermen in Maine were diversified, fishing lobster, herring, groundfish, scallops

and anadromous fish. Then, as now, there were also some large-scale vessels that did specialize in groundfish.

What is at risk with the loss of the groundfish industry in Maine is not just the current groundfishery and support industries but the entire commercial fishing industry because it is insupportable, long term, to be dependent on just one fishery—lobster. The state continually loses in the NEFMC arena because Maine has different ecological, economic and social conditions than the core of the NEFMC area.

I.2 Recreational Fleet

The groundfish recreational fishery was largely forced out of business when the stocks were diminished in the nearshore areas due to fishing pressure or stock relocation. Forty years ago, there were over fifty recreational vessels participating in the Maine for-hire industry. Today, only four are still operating, due to the loss of the groundfish resource.

According to a NMFS survey, there are over 350,000 anglers currently participating in the Maine saltwater recreational fishery. However, these anglers, whose groundfish catch once represented 52% of all recreational landings, now must depend almost entirely on other species, primarily striped bass, mackerel and bluefish. Groundfish now represent only about 7% of the current recreational landings.

Indirect benefits of the recreational fishery include retail and tourist based industry such as restaurants, hotels, boat rentals and sales, boat service, and tackle shops.

I.3 Shoreside Infrastructure

In the 1980's, the state of Maine, in conjunction with the City of Portland, developed the Portland Fish Pier. The Fish Pier provided a point of concentration for groundfish vessels and supporting business infrastructure. In 1986, the Portland Fish Exchange (PFE) opened on the new pier, providing a display auction for groundfish that served as a model for the region.

There are significantly fewer groundfish processors than there once were, and most of those that remain are in Portland. Since 1981, over forty processing plants have gone out of business. At that time, most Maine groundfish processors relied on Maine-landed fish for their raw material. However, because the regulatory restrictions that started in 1994 led to inconsistent deliveries of locally caught product, seafood processors have been forced to diversify to continue operating and consistently fill customer orders. Some processors import whole frozen fish to process, some import fillets and others have diversified into lobster and shrimp processing. Currently, Maine processors rely on raw material caught or grown outside Maine and supplement their production with Maine product.

Other shoreside businesses include the suppliers of goods and services to commercial vessels such as electronics, gear, fuel and oil, ice, net builders and menders, fabricators, welders, engine service, and hydraulic repair. These have also declined. Commercial fishing gear suppliers have all but disappeared from the State. Portland, which in the late 1980s supported four commercial fishing gear companies, now supports only one and, despite the lack of competition, that company has been forced to cut back on its service locations and hours of service. One of the

two commercial-scale ice suppliers in Portland has closed leaving just one to supply virtually all the ice to the fleet.

Section I.4 A Summary Of Regulatory History

The regulatory history illustrates the increasingly complicated nature of regulations since the passage of the original Magnuson Act in 1976. Many attempts were made to maintain the health of both the resource and the industry. Appendix 2 links regulatory changes with changes in fleet size and landings. Appendix 3 contains a more detailed description of regulatory changes.

Section II AMENDMENT 13

II.1 Amendment 13 Summary

Amendment 13 is the most recent in a decade of regulations designed to restrict fishing effort and allow stocks to rebuild. It is unique, however, because it implements severe cutbacks in the commercial fishery at a time when stocks are already rebuilding. The Sustainable Fisheries Act (SFA) mandates that when a fishery is designated “overfished” the Council must enact management measures that will produce the rebuilding of stocks to sustainable levels within ten years.

The stated objectives of AM13 are to rebuild overfished stocks, end overfishing, reduce unused effort in the fishery, reduce bycatch and minimize the impact of the fishery on habitat and protected species.

Environmental groups filed a lawsuit in 2000 (Conservation Law Foundation v. Evans, 209 F Supp. 2d, 1(D.D.C. 2001)) against the federal government alleging that the rebuilding plan in the fishery management plan was inconsistent with the overfishing definitions in the SFA. Federal District Court Judge Kessler ruled in favor of the plaintiffs and presided over an interim settlement agreement that immediately imposed a 20% reduction in DAS. AM 13 is a response to both the new stock rebuilding standards established by the SFA and the pressure generated by litigation.

In 2000 and 2001, scientists re-evaluated the models they use to estimate stock size and develop rebuilding targets. The results of that re-evaluation significantly raised the rebuilding targets for all groundfish stocks. The new targets indicated that additional restrictions in fishing effort were necessary to allow the stocks to reach the new targets within the ten years mandated by the SFA.

NMFS’ own economic analysis shows that many vessels will be forced to operate below the break-even point (see appendix 4). Amendment 13 adds an additional 40% restriction on vessel DAS to regulations which were already demonstrated to be rebuilding groundfish stocks. Thus the fishing industry has been subjected to additional effort restrictions even though the NMFS biological analysis shows that most stocks would rebuild, though more slowly, without the new restrictions.

The cost to Maine commercial fishing businesses is of questionable benefit. Sustainable fishing practices and a return to levels of stock abundance that will serve Maine’s inshore commercial and recreational fisheries are essential, but it makes no sense to risk the loss of the commercial

fishing industry to achieve rebuilding rates that are only incrementally faster than those which are projected under regulations existing prior to the adoption of AM 13.

II.2 Impacts of Amendment 13 On Harvesters

Under AM13, consolidation of the fleet will accelerate. This will stress shoreside businesses to the limit of their ability to stay in business. The critical question for the shoreside business owners is whether they will survive until stocks recover.

1. Many Maine vessels will not meet the AM 13 baseline criteria to qualify for fishing DAS and will not be allowed to fish for groundfish at all.
2. According to the NMFS AM 13 economic analysis, nearly all vessels in the fishery will be operating below break-even for the next several years. This will cause some businesses to fail and force some Maine-based vessels to relocate to other ports, most likely in Massachusetts. It will also lead to consolidation of the fleet, as many small and medium vessels will sell their permits or lease their DAS to people who have sufficient assets to buy and hold them for the time when fish stocks are abundant again.
3. Sporadic supply of fish will force processors and wholesalers to further substitute imported fish or other species in order to maintain their markets. When groundfish stocks rebuild, it may be difficult for New England fisheries to reclaim these markets for groundfish and secure a fair price for their product due to competing imports and species.
4. Some shoreside businesses, such as ice and fuel dealers, cannot relocate and may be forced out of business. In the short term this will lead to higher prices and a decline in services that could cause additional vessels to relocate.
5. Lack of fish or sporadic supply could lead to the collapse of the Portland Fish Exchange (PFE). Loss of the PFE would force vessels to make private sales with processors, putting some harvesters at a disadvantage in negotiations and forcing prices lower than they are with the current auction system. Loss of the PFE would force Maine vessels to truck their product out of state to be sold, and would also remove a critical incentive for vessels to fish from Maine ports.
6. Given intermittent work opportunities at processing plants, workers will quickly find work elsewhere, leaving seafood processors without a trained workforce.
7. Loss of shoreside facilities could be permanent, as shorefront property is highly sought after for non-fishing related development.
8. Loss of income due to reduced fishing DAS will continue the trend of owners being forced to postpone or eliminate routine maintenance, resulting in additional safety concerns for the groundfish fleet.
9. Consolidation of the fleet via permit transfer and leasing DAS was developed as a way to mitigate the sharp reductions in fishing opportunity experienced by each permit holder,

but many vessel owners cannot afford to acquire the additional permits or DAS they need to stay in business.

II.3 Effects of Amendment 13 on Shoreside Businesses

The businesses most vulnerable to regulatory cutbacks under AM13 are shoreside facilities such as fuel, ice and gear dealers, piers, wharves, welding and repair shops, and net-makers. These businesses depend on numbers of vessels and numbers of trips to make their businesses work. Prior to AM13, these services were at the minimum critical mass to support the fleet. There were once two ice dealers in Portland, now there is only one. There were once four gear shops in Portland, now there is only one, with limited inventory. There is not enough ice in Rockland or Port Clyde, resulting in small pickup truck loads of ice being delivered individually to vessels, which is inefficient.

Under AM 13, consolidation of the fleet has started and will continue to take place. This will stress shoreside businesses to the limit. The critical question for them is whether they will have enough business to carry them until stocks recover. Relief strategies including direct subsidy, loan guarantees, and incentives to attract more boats to Portland should all be considered to support this segment of the industry.

Section III FUTURE OF THE INDUSTRY

III.1 Commercial Fleet

The remaining components of the commercial industry must be preserved and groundfish stocks managed in such a way that coastal and offshore stocks return to abundance levels that will support a diversity of vessel sizes and gear types. The state's coastal communities are best served by a diverse fleet of commercial vessels geographically dispersed from the New Hampshire border to Eastport with concentration in fishing ports that have historically supplied the fishery.

An ownership pattern that encourages owner-operated family enterprises as opposed to absentee corporate ownership of the fleet offers the broadest employment base and most closely follows the traditional fishing practices in Maine. Fishing businesses based on the family structure allow the preservation of coastal communities. Conversely, recommendations that concentrate ownership of vessels, DAS, or other forms of fishing access by individuals or entities that are not involved in the daily operations of the fishing fleet weaken the community structure. Governmental action that discourages individual citizens from continuing to fish is contrary to the interests of the State of Maine.

III.2 Recreational Fleet

Recreational groundfishing is totally dependent on stock abundance. A healthy groundfish stock in Maine could result in an increase in recreational activity yielding in excess of \$14 million annually. This would put the total recreational value at \$41.5 million.

These economic benefits would be realized by local retail and tourist-based businesses such as charter and headboats, restaurants, hotels, boat rentals, boat sales, boat service, tackle shops and other shore-side facilities. A shore-based fishery would also develop. This fishery would re-

establish a basic outdoor experience that has not been available to an entire generation. A restored recreational groundfish fishery might also provide job opportunities for displaced commercial fisherman as it has done in other states.

III.3 The Department Of Marine Resources

The knowledge base for marine research in general and sustainable fisheries management in particular is grossly under-funded at a time when calls for ecosystem-based management are increasing the demand for knowledge.

To achieve ecosystem-based management and to better manage the fishery at both the state and federal levels, the State must have additional information on the status and trends of the resource and the industry, as well as oceanographic and habitat data on the Gulf of Maine and Georges Bank.

Currently, the state's Department of Marine Resources does not have the capability to fully develop or evaluate alternative management measures. In the interstate and federal arenas, this inability to evaluate management proposals in terms of their impact on Maine fishermen is a significant handicap. The result, in a state with limited political influence, is the adoption of regulations that disadvantage Maine fishing communities.

III.4 The Portland Fish Exchange

The Portland Fish Exchange has had a tremendous influence on the market and pricing of Maine groundfish since opening in 1986. By consolidating the harvest of nearly 150 vessels into one market, fish buyers from Maine to New York have access to 90% of the fish landed in Maine in one location. The auction currently has 25 registered buyers who represent a diversity of seafood businesses.

Without the auction, fishermen would have to find and negotiate sales with buyers on their own. This can add cost and uncertainty to a fishing operation. Further, without access to a broader market, harvesters would sometimes be forced to accept low prices in order to move their highly perishable products to market quickly. The PFE ensures prompt payment to fishermen, helping them to avoid cash flow problems.

The existence of the PFE allows family-owned fishing vessels to stay in business on a small scale, buyers to have full access to the fish landed in Maine, and Maine harvesters to have a role in supplying the global seafood market.

The benefits of the Portland Fish Exchange include:

- A non-profit public corporation owned and operated by the City of Portland governed with board representation by both buyers and sellers of fish;
- A regular display auction where buyers can inspect fish and where fish quality is reflected in the bid price;
- Establishment of a regional market place, with bonded buyers representing seafood companies from Maine to New York;
- An up-to-date transaction settlement system, which collects from buyers and ensures payment to harvesters within 24 hours of sale;
- Maintenance of published daily pricing on all species, promoting market transparency;

- Representation of harvesters on the auction floor, effectively setting a price floor for all species of fish; and
- An offering of essential services including vessel unloading, a refrigerated display and holding area, regularly scheduled auctions, stacking and boxing services, truck bays for shipping and information services such as vessel landings histories.

According to the 2003 PFE Strategic Plan, issues affecting the survival of the Exchange include reduced landings due to new regulations, competitive advantages of out-of-state ports, vertical integration and consolidation of the industry, extreme price fluctuations due to inconsistent local supply and increasing competition from imported fish, and growing negative public and political perceptions that the groundfishing industry is in decline. (See appendix 5.)

The PFE Strategic Plan includes a number of specific goals. Foremost is to prevent and reverse vessel relocation to other ports, and to support local and state measures that will assure a steady supply of fish. The PFE is also interested in improving its operational efficiency, becoming more involved in the regulatory and political process, and using technology for a number of day-to-day advancements as well as for producing data usable for stock assessments in the management process

Section IV ACCESS TO THE FISHERY

IV.1 Maine's Loss of Access Under AM 13

AM 13 reduces the DAS allowed to approximately 53 days per fishing year for the average vessel. According to NMFS calculations, the reduction in fishing days under AM 13 means that nearly all Maine groundfish vessels would be forced to operate close to or below their break-even point. (See appendix 4 for the economic impact section on Maine from Amendment 13).

In 2001, 12,000 active fishing days were allocated to Maine groundfish permit holders. In 2004, following the implementation of AM 13, Maine fishermen were allocated 8,632 fishing days. Therefore, in order to bring Maine's groundfishery back to the 2001 level of allocation, a total of 3,434 active fishing days would have to be acquired and allocated to Maine vessels. At a cost of \$2,000 per day (an estimate of what fishing days are worth in 2004) the total cost is estimated at \$6.8 million.

Three classes of fishing days were created from a baseline developed from each permit holders' fishing history. "A" DAS are active fishing days. "B" DAS are reserved for Special Access Programs (SAPs) that allow fishing for abundant species in specific areas and subject to specific rules. "C" DAS are not fishable, but may be held in reserve until stock abundance allows them to be fished.

In the earliest years of the new plan, fishermen's "A" DAS allocation will be about 33% of the days they could fish in 1994. The rest of their fishable days will be allocated as "B" DAS, which can be used only to fish for stocks that can support additional fishing pressure in SAPs. Only one SAP is approved so far and it is well offshore, beyond the reach of most Maine vessels. Vessel owners who do not meet the requirements for "A" or "B" DAS will receive only "C" DAS, which are not usable at this time. Finally, there are numerous other restrictions designed to limit mortality and allow stocks to continue to rebuild.

IV.2 Permit Transfer and Leasing

Prior to AM13, vessels were not allowed to “combine” permits onto one vessel by buying another vessel and adding that vessel’s DAS to their original vessel. As AM 13 was analyzed, it became clear that some kind of consolidation provision would be needed to give vessels that choose to remain in the fishery a chance to remain financially viable. The State of Maine successfully advocated allowing permit transfer and leasing in the final federal amendment.

Permit transfers are only allowed between vessels in the same size class. There are several disincentives for transferring a permit, however. A 40% “conservation tax” (a reduction of 40% in usable fishing days) is imposed on the transferred permit and a vessel must surrender all other fishing permits if its groundfish permit is transferred. The balance of the days transferred then become a permanent allocation of additional days to the receiving vessel.

Vessels are also allowed to lease “A” DAS from another vessel in the same size class, without purchasing the vessel. There is no “conservation tax” on leased days. Leases are limited to one year and the leasing program will sunset after two years, unless extended by Council action.

IV.3 Restoring Access: A Community DAS Leasing Program

Under the permit transfer and leasing provisions in AM 13, seafood processors, fuel or ice dealers, municipalities, states or other public and private entities can purchase vessels with permits, tie up or haul the vessel, and lease the DAS to other fishermen.

This opportunity for community involvement in acquisition of fishing effort has led to an intense debate over the merits of community participation. Because of the obvious benefits additional fishing days could provide—retaining more vessels in the fishery and supporting the shoreside industry-- the Task Force is recommending that a portion of any federal disaster money acquired by the State be used for this purpose. The Portland City Council has also recognized the importance of acquiring additional fishing opportunities (DAS) for use by Maine vessels and discussed several options on how it could be accomplished in the Mayor’s Task Force Report. (See Appendix 6.)

Some Maine fishermen want to lease DAS and have assets in place that can collateralize a loan to purchase the additional days. There are other fishermen who don’t intend to purchase additional fishing permits and have considered selling out of the business altogether, though most in this group would rather fish if they could find a way to do so without taking on more debt or more risk. For those undertaking the purchase of additional DAS, additional cuts in DAS or a closure of the fishery altogether could mean they own an asset that has no income potential and perhaps no value.

A community DAS program could assist fishermen by increasing their fishing days while allowing them to avoid the risk of buying a permit themselves. It would also support shoreside businesses by requiring that the fish harvested be landed in the state of Maine.

A community DAS program would be costly to set up and administer. Revenue from leasing DAS would not be likely to cover all the costs of initiating and maintaining a community DAS program. Public or private grant funds would have to supplement loan funds.

IV.4 Loss Of Access To Other Fisheries Over The Past 20 Years

Maine fishermen have traditionally changed the focus of their efforts through the seasons and throughout their lifetime based on stock abundance. Groundfishermen may have re-directed effort to shrimp, urchins or lobster. During the past twenty years, a number of regulatory measures occurred which decreased access to other fisheries they used to rely on to supplement their income. A number of fisheries (offshore scallops, herring, squid, mackerel, butterfish and summer flounder) that have come under federal management are closed to new entrants, thus further reducing the options available to groundfish fishermen who want to remain in commercial fishing and land product in Maine.

IV.5 Loss of Recreational / Personal Use Access

Because of low stocks of groundfish, the recreational fishery has all but ceased to exist along the coast of Maine. Recreational access to groundfish depends on a higher level of stock abundance than that needed by the commercial fishery. This is due to the inherent inefficiency of hook and line fishing as well as several other factors. There is not much to be done at this time for the recreational fishery; stock rebuilding is key. It is only through achieving an industry-wide consensus on the issue of stock abundance that both commercial and recreational fisheries can co-exist and thrive.

Section V INCREASING COST COMPETITIVENESS

A set of conditions in Maine, some deliberate and some inadvertent, combine to make landing fish out of state, usually in Massachusetts, very appealing. Many groundfish boats are already taking their catch out of state, gaining some advantage for their vessel but having potentially disastrous effect on the shoreside infrastructure in Maine. The following is a description of some of the factors that apply.

V.1 Non-Trap Caught Lobster

In the course of fishing, groundfish boats do haul some lobster in their nets. Maine prohibits the landing of lobster taken by any means other than traps. In all other states, dragged lobster may be landed to the federal limit of 100 lobsters per day and 500 lobsters per trip. Maine's prohibition is considered to be the single greatest competitive disadvantage for Maine groundfishermen. At the same time, Maine groundfishermen acknowledge that this prohibition is a key conservation provision from the lobstermen's perspective.

Lobsters are caught in groundfish nets primarily from December through April. Fishermen estimate that revenues from lobsters range from \$48-\$100,000 per vessel per year, depending on price and how many trips they land in Massachusetts. According to a NMFS database, an average of twenty-nine Maine vessels land groundfish in Massachusetts each year. If twenty-five of these vessels land lobsters worth \$48-\$100k per vessels per year, then a rough estimate of the value of the lobsters now landed would fall between \$1.2 and \$2.5m, or about \$1.8m annually.

Further, vessel owners say that the prohibition on landing lobsters makes it more difficult to hire and retain crew, who find a significant pay increase due to lobster landings if they fish from

Massachusetts. Clearly, this is an additional competitive disadvantage for the state.

The impact of Maine's lobster landing prohibition is devastating for shoreside businesses that depend on vessels landing and operating from Maine. When Maine vessels land their product in Massachusetts, they are depriving the Maine shoreside companies of their business. In turn, the shoreside businesses must adopt strategies to address the decline, which often include higher costs and/or reduced services to the remaining fleet. These increased costs combined with a lesser degree of service increase stress on the fleet and provide additional motivation for the fleet to relocate. In some instances, the combination of factors will cause financial failures for both vessels and shoreside businesses.

As long as this prohibition is in place, a means to level the playing field for Maine fishermen should be sought.

V.2 Sales Tax Exemption on Ice and Fuel

Commercial fishermen are exempt from sales tax on ice. In many circumstances, fish processors are not. Large volumes of ice are used to preserve the quality and safety of fish processed in Maine. A lower level of landings starting in the winter of 2003 and projected into the future while stocks rebuild increases the importance of this tax exemption to processors.

Fuel prices fluctuate, but the fact that Massachusetts's fishermen are exempt from sales tax on fuel is another factor that makes Massachusetts's ports an attractive alternative for Maine's groundfish harvesting businesses.

An estimate based on data from Portland and other Maine fuel dealers suggests that Maine groundfish vessels produced approximately \$270,000 in sales tax revenue for the State in 2003. If Maine vessels were exempted from the sales tax on fuel the savings over the course of a year are estimated to range from \$1,300 to \$6,300 per vessel.

V.3 Health Care

The high cost of health insurance has been identified as a problem for many Maine fishing families. Participation in the state-subsidized Massachusetts Fishermen's Health Plan is one of the potential benefits to operating a fishing business from that state. (The Massachusetts program pays a percentage of the cost of premiums based on a sliding scale.) Research by the Maine Health Access Foundation suggests that the problem of inadequate or nonexistent health insurance is a problem throughout the State, and not unique to the fishing industry. The State of Maine responded to this problem in 2002 by creating the Dirigo Health Plan. One of the top priorities of the Plan is to expand insurance coverage to all Maine's citizens by 2009. The Maine Health Access Foundation's mission is to promote affordable and timely access to comprehensive, quality health care for every Maine resident.

Dirigo Health Insurance will be designed for businesses with fewer than 50 employees, self-employed and unemployed individuals, and individuals working less than 15 hours per week. Fishermen in Maine are considered to be self-employed, and thus will be included in the pool of qualified residents. The product is expected to be available before the end of 2004.

V.4 Unemployment Compensation

On most fishing vessels crew are paid a share of the proceeds from each trip. In Maine, crew members are not eligible for unemployment compensation because under Maine state law they are independent contractors, not employees. In Massachusetts, vessel owners do pay into the state unemployment system for their crew, enabling them to receive benefits when they are not working. This disadvantages the Maine fleet because it hinders their ability to recruit and retain crew.

Shoreside workers in the processing industry may experience weekly or even daily variation in their employment due to the intermittent supply of product from the region. These workers would also benefit from participation in the unemployment compensation program.

V.5 Berthing Costs

Research shows that Maine berthing costs are competitive with Massachusetts, although there are some out-of-state facilities that permit free berthing if other vessel services provided by the pier owner are used.

In Portland, with the exception of the city-owned Portland Fish Pier, wharves are generally privately owned, and several are in poor shape. Rates are charged either by the length of the vessel or by the size of the slip. According to City of Portland Director of Fishing Operations, Judy Harris, the average monthly cost of dockage in Portland is \$300 per month. Generally, when vessels from outside of Gloucester put in to that port to unload or for repairs, they do not pay for dockage.

V.6 Steaming Time

Steaming time, the transit time for vessels to get to fishing grounds, counts as fishing time under the current DAS allocation. The industry has raised this issue and highlights it as a matter of inequality with respect to the current regulations to the State of Maine.

The issue was analyzed in AM 13 and DMR staff convened a meeting with members of industry to discuss the problem. The minutes of that meeting are attached in appendix 7. Since the solution to this problem may create offsetting disadvantages, the Task Force is making no recommendation at this time.

Section VI SHORESIDE

VI.1 Seafood Processing

The expected rebuilding of New England groundfish stocks over the next 20 years presents both a challenge and an opportunity for Maine's seafood processing sector. Projections show that New England stocks could triple from the current harvest level of 100 million pounds. If Maine can retain its market share, the Portland Fish Exchange could see a threefold increase in landings from its current level of roughly 20 million pounds per year. However, in order for Maine to reap the benefits of these additional landings, preliminary estimates suggest that an investment of \$30-\$50 million in shoreside facilities will be needed. (Public and private investment is needed for all aspects of shoreside processing, wholesale and retail businesses including additional

vessel-unloading facilities, more refrigerated trucks, new and improved processing plants, and especially the development of new markets to absorb additional product.

In the short term the critical issue for processors is survival. Shortages in the groundfish supply can upset production, forcing processors to substitute fish from Gloucester, Canada and Europe to fill customer orders. While this can be a temporary solution, the added cost of importing fish could make Maine processors uncompetitive and unprofitable in the long run.

The key to sustaining the processing sector is first to address short-term challenges and then to put financing tools in place so that Maine is ready and able to take advantage of growing fish stocks.

Reduced DAS will result in consolidation of the fleet and a highly variable supply of fish to processors. Reduction in short term supply of fish and regulatory uncertainty make processors reluctant to invest in facilities and equipment. Increasing vertical integration of the industry (including processors buying and owning fishing vessels) assures fish supply to processors who own vessels but reduces opportunities to purchase fish for processors who do not.

In the long run these activities could permanently alter the structure of the supply chain by reducing the diversity of the fleet, threatening the existence of the auction, pushing harvester prices down and making it difficult or impossible for the part-time or occasional fishermen to find an outlet for their product. Processors, who “lock in” a private supply of fish to their plants in the short term may find later, if they are seeking additional volume or species, that most of the available fish has been contracted to other processors and is not available on the open market.

Continued consolidation in the grocery and food service sectors will result in larger orders to fill and more pressure on processors to reduce costs. Increasing competition from imported, mostly farm-raised seafood such as shrimp and salmon, which often sell at lower prices than domestic groundfish, will further disadvantage Maine groundfishermen. Required Country of Origin Labeling, scheduled to go into effect September 30, 2004, will increase processor costs but may also provide an opportunity for branding or promotion of Maine groundfish.

The groundfish industry as a whole suffers from a poor public image. The media has portrayed the industry as troubled, suffering and declining. On top of that, private foundations have poured money into legal and public relations efforts in an effort to restrict fishing effort. The groundfish industry has done little to respond to negative publicity or present its side of the story to the media. Industry could do more to promote Maine groundfish as a sustainable fishery and educate them about the conservation and management actions to protect fish stocks that this region undertakes that may not be true of foreign imports.

VI.2 Working Waterfront

Maine’s working waterfront consists of private and public piers, wharves, marinas, unloading stations, boat ramps and other shoreside facilities that are necessary to carry on a fishing business. A recent study showed that 75% of working waterfront facilities are privately owned and the remaining 25% are public (Coastal Enterprises Inc, 2003). A number of factors put Maine’s working waterfront at risk:

1. Coastal property in Maine is a desirable and limited resource. There is increasing pressure to develop coastal property for tourism and private residential use.
2. Increasing property values have elevated property taxes. In some cases, the increases are beyond what fishing businesses can afford to pay.
3. A decline in some fisheries (notably urchins, shrimp, scallops) and an uncertain groundfish harvest in the short term will continue to put some waterfront facilities at risk.
4. A high median age of fishermen may lead to increased retirement sales of waterfront facilities in the next five to ten years. Some of these facilities may be converted to non-fishing uses.
5. Increasing conflicts over land and water use (noise, odors, appearance, mooring space, etc.) make it more difficult and in some cases more costly to run a waterfront fishing business.
6. Current use taxation policies are in place for farmland and working forests. Voters rejected current use for working waterfronts in a public referendum in 2001. But recent research shows that the public would support current use taxation for working waterfronts if it was presented as a “fairness” issue with farms and forests (Working Waterfront Coalition Report, 2004).
7. Fishing businesses have shown interest in other tax reform proposals including “circuit breaker” programs that link property taxes with revenues and ability to pay.

VI.3 Changes In The Marketplace Over Time

Small grocery chains, independent restaurants and fish markets used to dominate the market for the coastal and intermediate fleet whereas institutional buyers purchased, processed, and froze the offshore fish. Currently, large corporate buyers hold major market share and many small fish buyers and markets have disappeared. Improved communications and transportation systems give corporate seafood buyers access to product from around the world. As a result, Maine seafood processors are now in direct competition with low cost, high volume processors from throughout the world.

Corporate seafood buyers buy product in a very structured way and are unable to tolerate fluctuations in supply and prices. Retail sales and menu plans are approved quarterly. To meet these quarterly plans, buyers must have confidence that seafood products will be delivered on time, in sufficient quantity and at prices agreed on months in advance. If there is any doubt about product delivery, Maine product will be replaced immediately with more reliable products, such as farm raised salmon and shrimp.

The Maine seafood industry must invest in research and development of “value-added” fresh and frozen products, such as meals ready for the microwave or marinated, stuffed and prepared entrees for both restaurants and retail to remain competitive with other processors and wholesalers in a fast moving market.

Section VII INDUSTRY ADVOCACY

VII.1 Industry Coalition

Maine’s groundfish industry is comprised of a diverse group of fishing interests that includes recreational, full time, part-time and occasional commercial fishermen and stakeholders who

would like to participate in groundfishing but don't have an active permit. The industry includes both owner-operators and vessel owners with hired captains and crew. Smaller vessels are limited by their size to fishing within about 50 miles of shore; larger vessels can fish 200 miles offshore and beyond.

A Market Decisions survey of 100 commercial groundfishing businesses in 2002 demonstrated that there are two major categories of commercial vessels. The first commercial group tends to own smaller vessels, has few employees and has fished 88 days or less in recent years. They have smaller loan balances and are less likely to have made investments in their businesses in the last two years. They are less likely to have health insurance, less likely to have other family members contribute to their income, have usually not considered relocating, and more likely to have income from other marine or non-marine activities.

The second commercial group tends to own larger vessels and employ additional people. They are more likely to have outstanding loans and have larger balances than the first group. They tend to fish more than 88 days and are much more likely to need more than 88 days to break even. They are more likely to have health insurance, less likely to have income from other marine or non-marine activities, more likely to have other family members contribute to their income and are much more likely to have considered relocating.

The recreational fishery is characterized by very few 30-40 foot charter boats, and headboats larger than 40 feet. There are also many private boats from 18-40 feet. They are limited in harvest efficiency and are predominantly inshore participants. They utilize the same infrastructure as the commercial small boat fleet as well as the retail marine/ fishing supply infrastructure.

Because these two commercial groups and the recreational fishery have such distinctly different needs and different approaches to fishing, it has been difficult to build an industry coalition that speaks with one voice on policy issues. The unfortunate result of this lack of unity is that policy makers—whether at the state, Council or federal level - are often unclear on how to meet the needs of these diverse interests, and Maine's interests are often ill-served by the resulting policy decisions.

While the groundfish industry has put a great deal of effort into influencing public policy at the Council and Congressional level, almost no effort has been made to develop support within the state legislature. As a result, the groundfishing industry has not been included in policy development at the state level. A few examples include: state revolving loan funds for farmers but not fishermen, current use taxation for forestry and farming, but not fishing properties; diesel fuel tax exemption for farmers but not fishermen, a state marketing program for farm products but not fish, tax credits for manufacturing equipment but not fishing equipment, and so forth. All of these state policies are the result of a continuing effort by farm and forest industries to educate and lobby the state legislature.

Maine's groundfish industry is small and fairly concentrated in southern Maine, giving it little political clout in Augusta, even if it were actively involved there. "Fishing Council of Maine" (FISHCOM) organization consisting of members from various fishing industry organizations and modeled after the Agriculture Council of Maine (AGCOM) would have a much better chance of

success at the state and federal level. AGCOM united multiple agricultural interests and developed a strategic plan. If this kind of organization were in place, fisheries groups could work together on state issues of common interest, such as water access, working waterfront preservation, financing, taxation, health care and so forth.

Consensus seems to develop within the groundfish industry on an issue-by-issue basis, as demonstrated by the DMR's work on the steaming time issue. The state is in a unique position to take a neutral stance and bring all parties together for discussion on the issues and determine whether consensus is possible or even desirable in each case.

VII.2 Training for Fisheries Management Representatives

The effectiveness of state and federal Board, Council or Commission members could be enhanced by additional training prior to the start of their service and increased communication during and between meetings. It is important that Maine delegates to these bodies keep the needs of the state as a whole in mind. Regular discussions and meetings among themselves and with industry will help state delegates develop stronger negotiating strategies and present a more unified position.

Section VIII ADDITIONAL ISSUES

VIII.1 Vessel Insurance

Vessel insurance has become a significant problem in recent years, as the number of insurers for fishing boats has dwindled. This year there are Maine trawlers in the groundfish industry that have experienced more than a 30% increase in the cost of their premiums. In addition, some policies have effectively limited vessels to working within 100 miles of the coast by charging higher premiums for greater distances, putting the cost beyond the reach of some fishermen. For some vessel owners the distance limitation and the cost of insurance have resulted in the difficult decision to forego insurance altogether, threatening their vessel and livelihood.

The vessel's insurance is often the only safety net for injured fishermen. Also, because the vessel generally serves as collateral for business loans, uninsured losses will make it much more difficult for fishermen to acquire the capital they need for equipment repair, conversion, expansion and survival. Finally, without insurance they are ineligible to participate in cooperative research, which can add significantly to a vessel's gross productivity. The cost of premiums has increased in recent years because claims against the insurance companies have been very high.

VIII.2 Public and Private Investment

Loan Funds

In the past Maine groundfishing businesses have successfully sought funding from a number of sources including commercial banks, credit unions and Farm Credit of Maine. In 1996 two revolving loan funds were set up specifically to serve Maine's fishing industries. One of these is administered by Coastal Enterprises, Inc., the other by Eastern Maine Development Corp in Bangor. Fishermen and shoreside businesses have also taken advantage of low interest rates and inexpensive home equity credit lines to support their operations in recent years. However, access to capital for fishing businesses is becoming more difficult.

Despite the ready availability of credit to fishing businesses, there is no public investment strategy or any public financing available to support the groundfishing industry. Public investment in the industry would assure that jobs in harvesting, seafood processing and support services for the fishing industry are sustained into the future.

A Bond Proposal:

The Groundfish Task Force supports a fisheries bond that could help both harvesters and shoreside businesses. Substantial public investment will be required if the industry is to survive to see the day when Maine can take advantage of the healthy stocks of the future.

A bond proposal should provide funds in the following four areas

1. Funding for a state fisheries revolving loan fund;
2. Funding to maintain and develop public and private shoreside facilities;
3. Funds to be used as seed money for preliminary costs necessary to support proposals to purchase development rights of working waterfront properties; and for the
4. Purchase of fishing permits.

IX Written Submissions to the Task Force

The Task Force received written comments from the public on a number of issues. Those submissions are attached in Appendix 8.